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ABSTRACT

Current laws relating to student financial aid in Florida, current Florida aid programs, and options for the future are reviewed. The following programs are reviewed in terms of statutory policy objectives: Florida Student Assistance Grant Program; Florida Tuition Voucher Program; Florida Academic Scholars Program; Community College Tuition Waivers; State University General Student Aid Fund, Students Financial Aid Fund, Fee Waivers, and Out-of-State Tuition Waivers; Florida Guaranteed Student Loans; Career Work Experience Program; and other, smaller state aid programs. The policy issue of whether financial aid should be based on financial need is considered, and attention is directed to barriers to college participation, student eligibility criteria for Florida aid programs, student choice, college markets, sector competition, aid to students at different postsecondary levels, and the need for a central state agency to administer the programs. Finally, options are examined for the following programs: the Florida Student Assistance Grant Program, the Florida Tuition Voucher Program, and the Florida Academic Scholars Program. Consolidation options for the Florida Student Assistance Grant and the Florida Tuition Voucher Programs are also considered, along with proposals involving smaller state grant programs and loan contingency planning. (SW)

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STUDENT FINANCIAL AID

IN FLORIDA

CONSULTANTS' REPORT

by

Dr. Jack Tebo
Dr. Patrick Dallet
Florida Department of Education

A study conducted pursuant to
Item 248D, Chapter 82-215
Laws of Florida

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STUDENT FINANCIAL AID STUDY

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FLORIDA STUDENT FINANCIAL AID STUDY
CONSULTANTS' REPORT

The Florida Department of Education requested that we review current laws relating to student financial aid in the state and examine information compiled during the first three phases of the study. Based on this review, we have evaluated the current Florida programs to determine if they fulfill the statutory policy objectives of the state and have provided policy and program alternatives which we believe should be considered in developing Florida's student financial aid programs in the coming decade. This report will not be exhaustive in its review of all student financial aid programs in Florida, but it will concentrate on the largest programs and the manner in which they interact to serve the students of Florida.

STUDENT FINANCIAL AID ENVIRONMENT

Our perspective on the future of student aid in Florida is shaped in part by the current economic and student financial aid environment in which the programs operate. The environment is a changing one that is quite different from the one which prevailed between 1965 and 1980 when greater resources were available to meet many of the needs of postsecondary education throughout the country. Although Florida has a better economic environment in which to work, budget demands at the federal level have prompted a reassessment of the scope of federal student aid programs. That reassessment, in turn, has stimulated a reexamination of Florida's own financial aid programs.

Shared Responsibility and the Interrelatedness of Programs

Parents, students, educational institutions, and governments share in the responsibility for paying the costs of postsecondary education. The assessment of current or proposed student aid programs is, in large part, a determination as to what share each of these sources should pay. Historically, parents have had the primary responsibility for supporting students' postsecondary educations. However, in recent years the financial burdens, real or perceived, on parents have led to requests for greater contributions from both federal and state governments. Also, more students are considered independent, or self-supporting, either because of their age or because of their financial independence from their parents.

Generally, private institutional aid resources have been limited in recent years and by themselves insufficient to fulfill whatever unmet need existed because of the lack of family or student contribution. As a result, government has accepted a greater role in meeting a larger portion of the cost of postsecondary education for students with insufficient personal or family resources. This trend, in large part, stems from the desire by the state's and the country's citizens that they have an educated society and the commitment to equalize educational opportunity. Rising costs have led to higher tuition and required fees at most colleges and universities. Concern has mounted that access to postsecondary education will decrease because of the inability of government, institutions, parents, and students to pay for that education. This fear is exacerbated by current economic problems affecting Florida and the nation which have resulted in a marked decrease of revenues to state and federal treasuries.

The Federal Scene

One of the major goals of the Reagan administration is to decrease the size of the federal government and to reduce its involvement in state and local affairs. Major reductions in student financial assistance were proposed by the administration and have led to increased fears among educators, parents, and students that the growing support for postsecondary eudcation that existed during the decade of the 1970s will no longer be available. Some of the proposed changes were to decrease appropriations for the Pell Grant program from approximately $2.4 billion to $1.4 billion in 1983-84, eliminate the eligibility of graduate and professional students for Guaranteed Student Loans, and significantly reduce the eligibility of undergraduate students for GSLs. In addition, the administration proposed the elimination of federal capital contributions to the National Direct Student Loan (NDSL) program and significant reductions in the Supplemental Educational Opportunity Grant (SEOG) and College Work Study (CWS) programs. In response to these proposed cutbacks, many states and institutions have begun in-depth studies of their student financial aid programs to ensure that they would have the ability to make up for the loss of some federal student aid program resources should they be reduced further. Projected federal budget deficits of between $100 and $160 billion per year add further pressures to an environment which threatens the stability, not to mention expansion, of any federal education program.

In spite of these intense pressures, recent congressional action indicates that there is very strong support for a continued federal presence in education at the postsecondary level. Given the choice of cutting different programs, education will be one of the last

areas to be reduced sharply. For example, despite frequent proposals for change, few major programmatic changes have been made in the Guaranteed Student Loan program in the past two years. There has been an increase in the interest rate charged to new GSL borrowers from 7 to 9 percent, a 5 percent origination fee is now imposed, and a needs test is used for students from families with incomes above $30,000. Nevertheless, GSL borrowing continued to increase during the 1981-82 academic year. Nationwide projections for the coming year indicate, however, that borrowing is down significantly in this program. Some of this may be the result of public perceptions that the Reagan student aid cuts have already occurred and that such aid is not as readily available as it once was.

Perhaps of more significance is the recent congressional override of the President's veto of the 1982 Supplemental Appropriations Bill. The President used the recent growth in federal student aid programs as one of the primary reasons for his veto. The override occurred, in large part, because of Congress' support for student aid programs and adverse public reaction to the proposed cuts. During congressional debates and in later interviews with the media, key congressional leaders cited the need for the supplemental appropriations in student aid programs as one of the major reasons they were voting to override the veto.

Despite some recent success in preventing further major cutbacks in federal financial aid programs, the precarious budget situation in Washington will lead undoubtedly to increased pressure for additional cuts in all federal spending. The Guaranteed Student Loan program is particularly vulnerable. Although 82 percent of the annual costs of the program pay for loans already made, the perception remains in Congress that the almost ninefold increase in the cost of the program in the past six years was too great and that some changes should be made to bring costs under control in the future. Senator Domenici, Chairman of the Senate Budget Committee, has had a major proposal for structural change in GSL for three years and will likely offer it during the next Congress. Hearings will begin next summer in the Subcommittee on Postsecondary Education in the House of Representatives, and Congress will likely reauthorize the Higher Education Act in 1985. Some of the following changes are likely: elimination of any new federal capital contributions to the NDSL program; elimination of the State Student Incentive Grant program; and a reduction in the amount the federal government will pay for the special allowance and the in-school interest subsidy in the GSL program.

Major changes are not anticipated in the Pell Grant program. It is expected, however, that the current liberal treatment of independent student status will be tightened considerably. It is also anticipated that the dispursement, audit, accountability, and need analysis provisions in the current Pell Grant delivery system will be

reexamined. Regulatory proposals for changes are already underway at the Department of Education to ensure that Pell Grant money is going only to those who are qualified under current standards. In its effort to reduce the size of the Pell Grant program, the administration will probably seek changes in the need analysis system which will make it more of an allocation or rationing system than a pure need analysis system. Moreover, the number of factors considered in determining the ability of a family to pay for postsecondary education will probably be reduced, perhaps to as few as six.

The State Scene

The amount of federal Pell Grant funds and the number of Pell Grant recipients attending Florida insitutions have both nearly doubled in the past six years. More than 59,800 Florida undergraduates received a total of $45.2 million in Pell Grants in 1976-77, but by 1981-82 the numbers increased to 105,800 recipients receiving $84.5 million in federal Pell Grant funds.

While the Pell Grant program remains the largest single source of need-based grant aid for Florida students and the foundation upon which the State's grant programs are built, the State programs themselves have also expanded rapidly over this same period. From the lone Florida Student Assistance Grant (FSAG) program in 1976-77 providing nearly $7.4 million in awards to 7,388 recipients, the number of state grant programs has tripled and so has the total number of awards. By 1981-82, the Florida Student Assistance Grant, Tuition Voucher (FTV), and Academic Scholars (FAS) programs provided $20.3 million dollars in grants and made a total of 25,635 awards.

Loan programs serving Florida's undergraduate and graduate students expanded even more rapidly. Aside from the NDSL program which operated throughout this period, there were two state loan programs in 1976-77. The small Florida Student Loan program provided $247,000 in loans to 261 students and the larger Florida based student loan program made $15.0 million in loans to 11,112 students in that year. By 1981-82, however, these two state loan programs were replaced by the Florida Guaranteed Student Loan (FGSL) program. In five brief years of operation, the FGSL program increased its loan volume to $160 million and made loans to more than 61,000 Florida students.

At the same time that the sources and amounts of financial aid were increasing in the state, the costs of attending Florida postsecondary educational institutions were rising. After years of stability in the tuition and required fees at public vocational-

technical centers, community colleges, and state universities, mandatory student charges in the public sector were increased sharply in the last several years. Between 1980-81 and 1981-82, tuition and required fees increased by about 20 percent in the public universities. At the same time, rising costs led to more regular annual tuition increases at Florida's independent institutions. Furthermore, the basic noninstructional costs of attendance such as books and supplies, room and board, and transportation costs have been increasing regularly as a result of inflationary pressures at all institutions throughout this period.

Similar growth in college costs and student financial assistance was evident throughout most of the country. Nationally the number of state scholarship and grant winners increased by 225,000 between 1976-77 and 1981-82, an increase of 22.5 percent. The award dollars increased by $312.2 million, or about 48 percent, in the same period.

The major explanation for the dramatic growth in state scholarship and grant funding during these years rests with the states themselves. The federal government through its contributions to the State Student Incentive Grant program provided significant incentive money by increasing its funding from $44.0 million in 1976-77 to $76.75 million in 1981-82. This constitutes slightly more than a 50 percent increase in federal funds, but in the same period state fundings grew by $289 million above the 1976-77 level of $607.4 million.

Looking at individual states, the National Association of State Scholarship and Grant Programs (NASSGP) survey for 1981-82 showed 27 states with higher levels of need-based grant funding per capita than Florida. Most of these states were located in the North or West, with only Kentucky, Maryland, North Carolina, South Carolina, Tennessee, and Virginia among the southern states with higher student grant expenditures per capita than Florida. On the other hand, much of the growth in student aid funding in Florida in recent years has occurred in non-need-based programs such as the Tuition Voucher and Academic Scholars programs. Had these been need-based, as statutory policy suggests they should, Florida's expenditures per capita would have been much higher. Further, because of the distinctive age mix in Florida's population, the per capita ranking procedure in the NASSGP survey is somewhat misleading. Had the figures been computed on the basis of financial aid grant and scholarship expenditures per school age student, Florida's ranking would have been appreciably higher even with its large non-need-based grant approach.

Compared with other states, Florida's experience is neither unique nor unusual. The rising cost of attendance at both public and independent institutions and a commitment to equalizing educational opportunity has led to the proliferation of State grant programs and

increased expenditures for financial aid. Each new grant or assistance program was created to serve a particular felt need at the time it was created, and during a period of rapid expansion in postsecondary enrollments, aid programs, and financial aid funding, the articulation among State programs was simply assumed. Now, however, at a time when federal financial aid funding is being reduced, the cost of attendance continues to increase, and more demands are being placed on the State's programs to provide additional aid, there is growing concern in Florida and other states that access and choice be maintained. Educators and public policy makers are also concerned that financial aid programs and resources are being used to effectively complement and supplement basic federal programs while continuing to meet announced state goals and objectives.

STATUTORY OBJECTIVES FOR FLORIDA STUDENT FINANCIAL AID

Section 240.437 of the Florida Statutes remains the most complete enunciation of state financial aid policy objectives. It states that "the objectives of the state program shall be the maintenance of a state financial aid program to supplement the basic national program which will provide equal access to post high school education to Florida citizens who have the ability and motivation to benefit from post high school education."

The same statute also outlines five major policies that should guide the development of Florida student financial aid programs. According to statutory language, "it shall be policy that:

(a) Student financial aid be provided on the basis of financial need;
(b) Admission to institutions be the criteria for eligibility for financial aid;
(c) Student financial aid be available to Florida residents for attendance at accredited institutions of higher education in Florida, public or private;
(d) Student financial aid be provided for all levels of post high school education; and
(e) State student financial aid be administered by a central state agency.

While all of these statutory objectives are important, the most critical one from the standpoint of sound financial aid policy is that student aid be provided on the basis of demonstrated financial need. The whole concept of financial aid rests on the assumption that the responsibility for meeting the costs of providing postsecondary education should be shared among the public, parents, students, and private parties and that equalizing educational opportunity will require that assistance be provided to those whose financial resources are inadequate to meet their full share of the costs. Both access to postsecondary education and choice among institutions depends, in part, upon the availability of student aid for those with demonstrated financial need. Moreover, need-based financial aid programs serve to maximize the effectiveness of limited state aid resources by insuring through a national need analysis system that scarce aid dollars are used to assist those students who would otherwise be financially unable to attend postsecondary education.

The original statute which framed these five major policy objectives and articulated Florida's student financial aid goals is now more than twelve years old. Nevertheless, it is the opinion of the consultants that the State's stated statutory policy objectives remain as sound today as when then were first adopted in 1970.

EVALUATION OF CURRENT PROGRAMS IN TERMS OF STATUTORY POLICY OBJECTIVES

Over the past six years the number of state student aid programs and the amount of aid available has increased sharply. Each program was created in response to perceived needs at the time and each has expanded at its own rate in recent years. This section of the report examines all the major State programs and Florida sources of student financial aid. It delineates each program's primary characteristics, indicates the amount of aid each provides, and evaluates the extent to which each major program conforms to Florida's statutory policy objectives.

Florida Student Assistance Grant Program ($12.3 million in 1981-82)

This is the oldest of the State's grant programs and conforms most closely to stated policy objectives. The FSAG program is need based. While its awards are determined currently on the basis of relative need, both relative and absolute need have been used at various times in the program's history to make awards. The FSAG program also conforms, for the most part, to the second and third statutory criteria because eligibility for its awards is based on admission to accredited Florida insititutions of higher education, both public and private. The two exceptions are that students admitted to accredited public vocational-technical schools and to accredited independent business, trade, and technical schools offering less than an associate degree are not eligible regardless of their relative need. The FSAG awards are confined to undergraduates at public or private accredited degree-granting institutions. Finally, the FSAG program is administered by a central state agency, the Florida Student Financial Aid Commission (FSFAC).

Florida Tuition Voucher Program ($7.24 million in 1981-82)

This major state aid program is not need based and thus fails to conform to the first of the State's five statutory policy objectives. Although it is not need based, it is still a student aid, not an institutional aid, program because the vouchers are used to reduce students' costs of attendance, not institutions' costs of providing that education. Eligibility for a FTV award is based on admission and thus conforms to the second stated objective. However, to be eligible, students must select an accredited independent Florida four-year college or university, and the list of eligible

institutions for the FTV program is more restrictive than the list of eligible institutions for the FSAG program. Those students attending public institutions, accredited proprietary schools, or certain accredited four-year colleges and universities in the state are ineligible. Like the FSAG program, FTV recipients are all resident undergraduates. While this state grant program is also administered by a central state agency, it meets few of the five statutory policy objectives.

Florida Academic Scholars Program ($0.798 million in 1981-82)

This relatively new state grant program is also not need based. In addition to admission to an accredited public or private college or university, eligibility for an initial grant is based upon high school achievement and standardized national test scores. The program requires that recipients maintain at least a 3.2 GPA while in college. FAS recipients are able to attend the same kinds of public and independent institutions as FSAG recipients, and in both instances public vocational-technical and accredited private proprietary school students are excluded. FAS grants are designed to provide another form of undergraduate assistance. Like the two other state grant programs, the FAS program is administered centrally by the Florida Student Financial Assistance Commission.

Community College Tuition Waivers ($5.7 million in 1981-82)

Though these waivers were not funded for 1982-83 while an attempt is made to modify past practices and regularize procedures, they may remain an important source of aid for this sector's students in the future. Currently, community college waivers are not need based and thus fail to conform to the State's first statutory policy objective for aid programs. Eligibility for a waiver is based upon admission to a public community college, the waivers are limited to students attending only this sector and are confined by definition to lower division undergraduates. In this respect the third and fourth statutory policy objectives are not met by the waiver program. Furthermore, the waivers are neither administered by a central state agency nor granted on the basis of any consistent state-wide criteria, policies, or procedures.

State University General Student Aid Fund; Student Financial Aid Fund; Fee Waivers; and Out-of-State Tuition Waivers ($2.4 million, $1.7 million, $0.2 million and $3.8 million respectively in 1981-82)

The General Student Aid Fund and the Student Financial Aid fund in the State University are financed by small student fee assessments on undergraduates and graduate students within this sector. Some of the monies are needed to supplement the SUS's student financial assistance program, others are redistributed among campuses to try to equalize educational opportunities, and others serve as matching funds for the federal College Work Study Program. The exact distribution of these funds is somewhat unclear at this time and appears to vary from year to year. The waivers apparently are distributed on the basis of need to students at both the undergraduate and graduate levels within that sector. Though the programs are centrally administered by the Regents of the SUS, they are not administered by a central state agency.

The fee- and out-of-state tuition waivers in the SUS system are funded at specified levels by the State. These waivers are not need based, but are granted by university presidents to graduate students receiving assistantships or fellowships and to other students on the basis of special skills, academic abilities, or other criteria. The nonresident tuition waivers are the only large program, except for federal programs, assisting non-Florida residents, but they do so in a manner which is quite common among public colleges and universities throughout the nation.

These waivers are not available simply on the basis of admission to these institutions; are not available to students in other public or private sectors; and are funded, but not administered by a central state agency.

Florida Guaranteed Student Loans ($160 million in 1981-82)

Although the capital for these loans comes from Florida lending institutions for the most part and the program is administered by the FSFAC, this rapidly growing loan program is in many respects a federal not a state aid program. The distribution of GSL funds is based partially on financial need. Admission to a Florida accredited institution is the primary criterion for eligibility. Both federal regulations and lender restrictions on eligibility exist, but this is the only aid program widely available to students in all sectors and at all postsecondary education levels. The FGSL program is centrally administered by FSFAC according to federal guidelines.

Career Work Experience (New program not in operation in 1981-82)

The distribution of funds from this program will be based on need. Eligibility is based upon admission to accredited public or private institutions, and participation is open to resident students at all academic levels. The career work experience program is designed to complement the federal College Work Study Program and is administered by a central state agency.

Other State Aid Programs

These smaller state programs are not need based but are targeted toward particular populations of students for special state purposes and objectives. These include math, science, and special education teachers' grants; EEO grants for minority graduate and professional students; and various contract programs with independent institutions. Admission to an institution is not the only or even the primary criterion for eligibility. The programs are not generally available to students at a[illegible] accredited institutions, public or private. Many of the grants are for graduate and professional students, but some of them are for particular groups or types of undergraduates. Most programs are administered by one of several state agencies, but not all programs are administered by the same central state agency.

Summary

In summary, it should be emphasized that less than half of the Florida non-loan program money is distributed currently on the basis of demonstrated financial need. Moreover, in recent years the trend has been to fund new programs which are not need based and are therefore inconsistent with the stated statutory objectives for Florida student aid programs.

POLICY ISSUES IN FLORIDA

The many policy issues in student financial aid can be subsumed under one basic question, "Who should get what types of financial aid to attend which institutions for what purposes?" In Florida, there are many concerns evident in the current structure of state aid programs which suggest several possible answers to this question. Yet answers should be formulated within the context of attempting to meet the State's five basic policy objectives for student financial aid. These objectives for Florida aid programs provide guidelines for developing answers to the basic policy questions and for effectively restructuring the State's programs.

Financial Aid Should be Based on Financial Need

We reaffirm our belief that need-based financial aid programs represent the most effective use of limited financial aid resources and that use of financial need tests to determine who receives aid follows the principle that students and their families should pay as much of the costs of postsecondary education as they can reasonably afford. However, there are several facets of financial aid which affect the determination of need and its subsequent impact on who receives aid to enroll at what kinds of institutions.

Definitions of Need

In the determination of financial need, two factors play an important role. These are: (1) the assessment of the student's and his or her parents' ability to pay for educational costs, and (2) the assessment of the amount of costs that students must pay. Clearly,the lower the assessment of the family's (student and/or parent) ability to pay for costs and the higher the costs of education, the greater the student's financial need will be.

In Florida these two components of the financial need assessment formula have been given different names--"absolute need" and "relative need". Absolute need refers to the amount of financial resources the student can reasonably afford to pay for educational costs, regardless of what those costs may be. Relative need refers to the difference between the student's ability to pay and the student's costs of education. In this latter definition, a student with a relatively high ability to pay who attends a higher cost college might have a relatively greater financial need than a student

with far fewer personal and family resources who attends a low cost college.

Definitions of Need and the Distribution of Aid

The use of these different definitions of financial need in need-based financial aid programs is likely to produce very different distributions of aid recipients when award dollars are insufficient to meet all applicants' needs. The use of absolute need to distribute limited aid funds will cause award dollars to flow to students with the least ability to pay for costs; the use of relative need will cause award dollars to flow to students whose need is more heavily influenced by their educational costs. In an ideal world where there are sufficient aid funds to meet all students' needs, the use of either definition would produce identical results. But when funds are limited, some applicants will be denied aid. Who these applicants are, where they might plan to attend postsecondary education, and what consequences may follow from the denial of aid to them depends upon which of the two definitions is applied.

One consequence of not receiving aid or sufficient financial aid to defray educational costs may be the failure to attend school. This constitutes a denial of access. Another consequence may be the inability to attend a preferred, but more costly institution, which constitutes a denial of choice. When need-based programs that award aid on the basis of relative need are underfunded, those denied aid are likely to include many students with little or no ability to pay for educational costs at low-cost institutions because the limited aid resources have been absorbed by students with higher abilility to pay, but who have higher needs because they plan to attend higher cost institutions. Under-funded aid programs based on absolute need are likely to deny students sufficient aid resources to meet their costs of atttendance at higher cost institutions.

To the extent that a financial aid program's funding is limited and its goal is to enhance access to some form of postsecondary education and to provide large numbers of students with some additional resources to help meet their costs, the use of absolute need is probably the most effective distribution criterion. If enhancement of the ability of fewer students to attend higher cost institutions and to exercise some choice between a lower- and a higher-cost institution is the program's goal, then the use of relative need is probably most effective.

Barriers to Participation in Postsecondary Education

The denial of aid or of a larger aid award may have the consequence of reducing either access or choice. On the other hand, the receipt of a given financial aid award may not appreciably enhance access or choice. There are many non-financial factors which affect students' decisions to participate in postsecondary education. In addition to the financial barrier to postsecondary education, students may also confront other barriers, including attitudinal, academic, and geographic barriers.

Attitudinal barriers refer to such things as the attitude among some potential students that postsecondary education is not necessary to accomplish their goals, that education does not represent a route to participation in certain careers, or simply that the educational process itself is not enjoyable. In times of economic prosperity and full-employment oportunities, students may adopt the attitude that further education is unnecessary to obtain a good job. In times of high unemployment, prospective students may belive that education is necessary to obtain a job and feel that participation will not cost them lost earnings.

Academic barriers include such things as insufficient secondary school preparation or inadequate performance to be admitted to or to have some chance of success in postsecondary education. Geographic barriers include the absence of educational institutions or of desired programs in a locale preferred by the student. A fifth barrier stems from the absence of the information or knowledge necessary to help students understand that they can overcome the first four barriers.

Floridians are concerned about the lower participation rates of low-income and racial-ethic minority group members in postsecondary education. While financial barriers to postsecondary education certainly exist for many of these students and can be removed by increasing the aid resources available to them through need-based aid programs, providing additional financial aid resources may not result in dramatic increases in their participation rates unless other barriers are also surmounted. We believe that the State should invest some of its resources in reducing these other barriers through expansion of outreach programs, strengthening elementary and secondary school academic and counseling programs as well as through expansion of need-based aid programs. More financial aid, by itself, may not increase these students' participation rates significantly unless these other problems are dealt with as well.

We cannot predict that more aid will produce the desired effects. However, we can, with considerable confidence, predict that the absence of aid will certainly inhibit the participation of low-income and minority students in Florida postsecondary education.

Merit-based Aid

Many Florida policy makers expressed concern about the perceived loss of the state's most talented and able prospective students to institutions in other states and to noneducational activities. The state's merit-based financial aid program was created in an attempt to provide monetary awards to Florida students who display promise of high academic achievement as an incentive to enroll at a Florida institution. The merit-based scholarships offered currently by the State through the Florida Academic Scholars Program are not awarded on the basis of financial need. As a result, there is the distinct likelihood that the awards do not cause recipients to attend colleges they would not otherwise have attended and that they do not cause students to remain in the state and attend Florida institutions unless they already planned to do so. Indeed, research evidence from other states indicates that merit-based awards have only minimal effect on the enrollment or enrollment choices of students who have the ability to pay for college costs without those awards.

There is some evidence to indicate, however, that scholarship awards to students with demonstrated financial need may, in some instances, influence the recipients' postsecondary attendance. It is logical to expect that awards will have a greater influence on needy recipients than on non-needy recipients. Yet even in the case of the most gifted, but needy students, the success of merit-based awards in providing incentives to enroll in a given institution or state is limited. Gifted students, like all students, choose different colleges for a wide variety of reasons. Moreover, gifted and needy students typically receive enough aid from institutions they are interested in attending that they may choose freely among them.

Aid for Part-time Students

There is also concern in Florida, as in other parts of the nation, that the financial needs of half-time and less-than-half-time students are not being met and that this inhibits their enrollment in postsecondary education. When aid programs are based on financial need, these students typically cannot display financial need because their costs as part-timers are low and their ability to pay these costs is usually greater than that of their full-time peers because part-time students are generally employed. Because these students have little or no financial need in an environment in which financial aid funds are limited, the State is justified in focusing its need-based aid resources on the more needy students who are enrolled on a full-time basis.

Dependent and Independent Student Status

We would be remiss in our discussion of need-based aid program issues if we failed to mention that Florida's current aid recipient population contains a somewhat larger than usual proportion of students who are considered independent for financial aid purposes. Independent students are those for whom no parental contribution is expected or considered in assessing need. Because no parental contribution is expected, these students' financial needs are typically larger than those of dependent students. Their higher need absorbs proportionately greater amounts of limited aid funds. More important, the aid federal and state programs provide is considered a substitute for the parental contribution. This substitution is appropriate in cases of truly needy and truly independent students However, there is evidence in Florida and elsewhere in the nation that some so-called independent students would have access to parental support for educational costs had they not manipulated their circumstances to achieve independent status.

The State's financial aid programs should consider ways to better distinguish between the truly independent student and those who actually have parental resources available to them and to tap these parental resources in the State's need-based program. The federal government is considering the adoption of a more stringent definition of independent student status for the Pell Grant program that would make it virtually impossible for students under 22 years of age to qualify for independent student status. Some states, such as California, require more than a single year of independence from parental support and residence before a student can claim to be independent for need analysis purposes in state grant programs. Other states require definite prove of a student's financial independence before accepting claims of self-support or independence, particularly from students who are 21 years of age or less.

Student Eligibility Criteria for Florida Aid Programs

Another Florida financial aid policy objective is to establish student eligibility for the receipt of aid on the basis of admissibility to an eligible institution. This objective implies that to receive aid students should not have to possess characteristics or meet academic standards not applicable to nonaided students.

A basic policy concern is that limited aid funds may be awarded to students whose probability of success (however it may be measured) is

limited, therefore constituting a less effective use of aid funds. We believe that eligibility for initial awards should, in general, remain a matter of institutional admissibility because it is difficult to predict which aid recipients will be successful and which will not.

A second concern involves renewing students' aid awards when they have not demonstrated satisfactory academic progress. This is a controversial issue at the federal level as well. Senators Pell and Nickles have introduced a bill in Congress to establish national standards for satisfactory academic progress which all federal aid recipients will be required to meet before their aid awards will be renewed. We believe that standards of "satisfactory academic progress" should be strengthened to prevent expenditure of aid funds on students who are not achieving success in their programs. These standards should, however, be set at the local institutional level because student and insitutional circumstances are so diverse that what is fair or satisfactory for one student in one setting may be quite unfair for a different student in another setting. These local, institutional standards should be well publicized and applied to aided and non-aided students alike. Federal and State aid programs should take action to see that the standards are implemented in all cases, but the standards themselves should be left to institutional discretion.

We note briefly here that state programs which have implemented merit-based criteria in order to establish eligibility for receipt of aid may rightly chose to hold students to higher standards of satisfactory progress in order to qualify for renewal of their awards. Aid programs designed in part to reward excellence may require performance standards of excellence as well.

Finally, one of the statutory policy objectives for Florida financial aid programs is that aid should be available to Florida residents for attendance at accredited public and private postsecondary institutions in the state. At the present time, Florida grants cannot be used by students who wish to enroll at accredited or formally certified public or proprietary vocational, business, trade, and technical schools which offer less than an associate degree. For several reasons, State policy makers may want to consider permitting financially needy students who attend accredited or formally certified Florida institutions of these types to receive grants. First, such students currently have limited access to aid funds from federal, institutional, and private sources. Second, these students are typically from low-income families and have limited ability to meet their educational costs without some form of financial assistance. Third, access to Guaranteed Student Loan funds, which often helped meet such students' financial needs in the past, is now being restricted by some lenders' reluctance to make small balance loans to borrowers in

short-term programs. Fourth, the programs these students take are ones which can rather quickly provide them with marketable skills and abilities which they and the Florida economy can both utilize. Finally, making them eligible for need-based state grants could represent a relatively cost-effective use of limited state resources because the lenth of training programs at these types of institutions are much shorter than those at most postsecondary institutions and thus total program costs are much less.

We recognize that adding this new group of students to the potential pool of eligible applicants would create greater demands on already limited state grant funds. Nevertheless, to be consistent with the statutory policy objectives for state aid programs; to meet a definite student need; and to upgrade and enhance the skills, training, and education of Florida's citizens which foster economic growth; state financial aid policy makers may wish to consider the trade-offs involved in implementing such an option.

Student Choice, College Markets, and Sector Competition

We assume that the intent of the basic policy objectives expressed in the Florida financial aid statute is to use aid programs to enhance student access to and choice among different types of insitutions.

One problem in achieving this objective is that of providing enough aid to students to enable them to attend higher cost colleges and universities as well as lower cost postsecondary institutions. Discussions about how best to achieve this objective usually are couched in terms of attempting to achieve the goals of financial access to or choice among institutions.

Perceived Conflict Between Access and Choice

It is difficult to discuss the issue of access and choice in financial aid programs because the concepts themselves have value-laden connotations, have different meanings to different people, and are often perceived as conflicting goals for aid programs. In this section of our report we will try to bring some new viewpoints to the discussion in order to help illuminate and perhaps help resolve the issues as they affect Florida's state-supported aid programs.

One of the basic purposes of financial aid is to provide aid recipients with sufficient monetary resources to enable them to attend some postsecondary institution. In short, providing aid is seen as a means of reducing the financial barrier to attendance. Achieving the goal of access generally implies providing aid recipients with sufficient financial resources to attend some postsecondary institution, often a lower cost two- or four-year public college or university. Achieving the goal of choice generally implies providing aid recipients with sufficient financial resources to attend the institutions they would most like to attend regardless of the costs. These are generally assumed to be somewhat higher cost institutions.

It is widely assumed that achieving the program goal of choice will require greater expenditures of aid resources than will achieving the goal of access because some aid recipients will want to attend colleges which cost more than the lowest cost options available to them.

If an aid program has sufficient funds to meet all applicants' financial needs regardless of their costs of education and their ability to pay for those costs, then the program can achieve both goals and there is no conflict. Most aid programs, however, have insufficient funds to meet all their applicants' needs, so a conflict between the achievement of the two goals is perceived.

The conflict is generally perceived as one involving policy choices between providing smaller amounts of aid grants to larger numbers of applicants to attend lower cost institutions or providing larger amounts of aid to a smaller number of applicants to attend higher cost institutions of their choice. Making the former policy choice will result in denying some aid applicants sufficient funds to attend their more desired, higher cost alternative. Making the latter choice will result in denying aid to some applicants who could not otherwise have gained financial access to college.

These perceptions of potential conflict are not necessarily complete or accurate because financial aid policy makers have often overlooked data on how students choose among postsecondary

educational options and on the impact of financial aid on access and choice.

Financial Aid and Achieving Access

As noted earlier in this report, the financial barrier to access to postsecondary education is only one of four barriers that students must often overcome--the other three being attitudinal, academic, and geographic barriers. Therefore, meeting a given applicant's financial need or meeting only a portion of the applicant's need may not result in the student's access to some institution.

At the same time, failing to fully meet a given applicant's financial need may not result in a denial of access. Some students matriculate without having their need fully met because their families are willing and able to make additional financial sacrifices beyond those expected by the need analysis methodologies used to distribute aid awards. As a matter of fact, previous statewide financial aid studies in Florida have shown that many students and families make these unexpected financial sacrifices in order to attend Florida's postsecondary institutions.

The point we want to emphasize is that meeting applicants' full financial need may or may not result in their enrollment. Put another way, there is not necessarily a direct cause and effect relationship between the offer of an aid award of a particular type or amount and matriculation at some postsecondary institution. Therefore, it may not be necessary to fully meet the demonstrated financial need of all applicants in order to adequately achieve the program goal of access. Indeed, this is why self-help, work, and loans make up important parts of most financial aid packages along with grant assistance.

Financial Aid and Offering Choice

When policy makers attempt to achieve the program goal of choice some cause and effect relationships are frequently assumed and others overlooked. Students choose among colleges and other postsecondary educational options for a variety of reasons, not just because of the differing costs among their options. Other factors which influence choice include: (1) perceptions of an institution's academic quality; (2) availability of desired educational programs; (3) geographic location or community setting of the institution; (4) the students' admissability to the institution and their likelihood of achieving success in their programs; (5) the influence or advice of

parents, peers, and other parties; and (6) myriad idiosyncratic factors which are unique to a given applicant and his or her circumstances.

Research has shown that neither total college costs, nor even net costs after financial aid, play the deciding role in students' choices of institutions. Put another way, students do not always choose the lower cost educational alternative available to them because the additional cost of attending another institution may be perceived to be worth the additional financial sacrifices necessary to attend. Just as some students and families are willing to make larger than expected financial sacrifices to gain access to some institution, other applicants and families are willing to make similar financial sacrifices in order to exercise some institutional choice.

The point we wish to make is that it is not always necessary for an aid program to fully meet all applicants' demonstrated financial need in order to achieve the goal of access nor is it necessary for an aid program to completely equalize all applicants' net costs in order to achieve the goal of choice. The perceived conflict between achieving the two goals for a given group of applicants may not be as great as is often thought. Limited, but carefully distributed or allocated financial aid funds may accomplish both goals for a given group of applicants.

Financial Aid and the Competition for Students

In the absence of definitive data on the cause and effect relationship between aid awards and choice, policy makers often assume that equalizing net costs among all aid applicants will insure that choice has been achieved. Indeed, representatives of higher cost colleges and universities often urge financial aid policy makers to adopt this viewpoint on the assumption that anything less than equalizing net costs among applicants to their colleges and other lower cost colleges places them at a severe competitive disadvantage in the marketplace for students. This is not necessarily the case. Not every aid applicant is in every college's student market. In fact, college markets, like the markets of other providers of goods and services, are segmented.

A majority of students in general and aid applicants in particular consider attending or applying to just one college or postsecondary institution. Such students are really only in a single college's market segment. Other colleges do not really compete for these students with the offer of financial aid awards because such students are only considering attendance at one institution. Therefore,

efforts to equalize these students' net costs at alternative institutions is unnecessary and a waste of limited aid resources. It is only necessary to provide the students who are aid applicants with enough aid to gain financial access to their single institution of choice.

Another relatively large proportion of all students consider attending just one type of institution or set of institutions with similar characteristics and costs. For aid applicants from this group, financial aid is necessary to gain access to the institution they eventually choose, but the size of the aid awards themselves are likely to have little impact on the ultimate choice among these institutions. In other words, these students do not display much price discrimination in their institutional choices after their original application decisions because the prices they must pay (and often the net costs) are very similar at all the institutions they consider attending. Moreover, at the time they apply, posted price tends to be a more influential factor than potential net price because at that point applicants are not sure whether they will be eligible for aid or if eligible how much aid they might receive.

A third group of students and aid applicants consider attending a set of institutions which may include high cost private colleges and lower cost public colleges. In general, this group of students is smaller than the other two groups discussed earlier. Moreover, for those among these students who are not aid applicants, financial aid programs will have no impact on their institutional choices.

It is only for those students who apply for aid and whose choice sets include both higher cost and lower cost institutions that financial aid awards can be expected to have a significant impact on their final institutional choice. It is for this relatively small proportion of all students, we believe, that the representatives of higher cost institutions can make their best case for financial aid programs which help equalize net costs among students' various educational options.

Even in these cases the equalization of net costs through financial aid grants may not result in the aid recipients' enrollment at the higher cost option. Indeed, because costs and financial aid are only two factors among the many that influence students' choices, it is quite unlikely that any financial aid programs could be used to equalize every postsecondary institution's position with every other institution in the marketplace for students. Some institutions will have stronger positions or greater appeal among certain types of students regardless of costs or available aid awards.

We believe that state financial aid programs can not be used to equalize institutional competition for students. Furthermore, attempts to use state aid programs for this purpose do not constitute

an efficient use of funds or effective public policy. We believe aid programs should be used to help enhance student access to and choice among postsecondary institutions, but attempts to use aid programs to alter or enhance institutions' positions in the market are, at best, rather fruitless, and, at worst, wasteful public subsidies for postsecondary education institutions.

We believe that it is not necessary to fully meet the needs of all applicants to ensure their ability to gain access to or choice among different institutions. We are also convinced that limited state grant resources can be distributed effectively among needy applicants in a manner which will enhance the achievement of both goals. In short, state financial aid policy makers do not necessarily have to choose between achieving access at the expense of choice or vice versa. When decisions are made about who gets what types and amounts of aid to enroll at different institutions it should be possible to come very close to achieving both goals for the majority of students who apply for state-supported financial aid.

We also believe that financial aid policy makers need not devote as much attention as some now think necessary to the proposal to distribute certain fixed portions of state aid funds among the students enrolled at different types of institutions. We refer to the proposal that 50 percent of state grant funds be awarded to students at independent colleges and universities, 25 percent to students at state universities, and 25 percent to students at community colleges. This type of formula allocation does not appear to be based on a careful assessment of aggregate applicant needs or to represent a promising approach to achieve the goals of access and choice for the most students possible. Rather it seems to be based on institutional representatives' desire to capture certain guaranteed portions of the State's aid funds for use by students at their institutions. Such a strategy appears to us to negate the greater value to the state of providing aid to as many students with demonstrated need as possible regardless of the sector they might wish to attend. Moreover, we think the strategy is based on the assumption that guaranteed proportions of aid resources will somehow enable colleges to better hold their positions in the marketplace for students and assure them of the ability to maintain or enhance their enrollments. This, we believe, is a very questionable assumption given what is known about the effects of aid awards on student access and choice.

We discussed these issues in some detail because of our concern that representatives of public and private institutions in Florida appear to perceive the competitition for students and state student aid dollars as far more intense than is typical in most states. We believe that further research in Florida on the student markets for each institution and on the overlapping of markets will show that the competition for students between public and private colleges is far

less strenuous and involves far fewer students than most institutional representatives currently seem to assume. A College Board sponsored student of Florida colleges' student market segments is now being conducted as part of the Board's larger College and University Enrollment Planning Project. When it is completed in the near future, we think it will tend to confirm the conclusions offered here.

This discussion will hopefully also disabuse public and private sector representatives of the notion that the award of state aid dollars to students to attend one type of college represents a direct loss of students to some other type of college. The available evidence strongly suggests that this is not generally the case. If doubts remain about the limited impact of financial aid on altering student choices among institutions, the State Department of Education may wish to study this specific issue further.

Aid to Students at All Levels of Postsecondary Education

The statutory policy goals of Florida's financial aid programs indicate that aid should be made available to students at all levels of post high school education. The Florida Postsecondary Education Planning Commission (PEPC) has recommended consideration of increased graduate stipends, creation of a graduate grant program, fee waivers for all graduate assistants, and graduate student eligibility to participate in a new state loan program if one is established.

We concur with these general recommendations. However, we suggest that first priority in the allocation of current state grant aid resources be given to study at the undergraduate level. While it is important to help meet the demonstrated financial aid needs of graduate students, meeting their needs should not be attempted at the cost of reducing the already limited State grant aid to a broader based and larger pool of needy undergraduate students. If graduate students are denied access to long term, low-interest loans through the Guaranteed Student Loan program in the future, as proposed by the Reagan Administration and so far rejected by Congress, the State should certainly consider implementing a new State loan program to replace this lost source of assistance.

State Student Financial Aid Should be Administered by a Central State Agency

There are many compelling reasons for having all state-funded aid programs administered by a central agency. Many of these reasons are well known and there appears to be a considerable degree of consensus in Florida that this statutory policy objective is a sound one. However, it may be useful to policy makers to review briefly some of the advantages of an effective, centrally administered state aid program. These advantages include:

1. greater accountability and ease of assuring accountability to the public and the state government for administration and use of state aid funds;

2. the ability to hold administrative costs to a minimum;

3. uniform treatment of data on applicants' family financial circumstances and educational costs which assures uniform determinations of financial need and subsequent awards;

4. better ability to coordinate multiple state programs;

5. better ability to quickly adopt and adapt to changes in policies and procedures originated by the State and federal governments;

6. greater ability to ensure proper disbursement and management of funds;

7. greater ability to assure quality control in program management; and

8. greater ability with the maintenance of a centralized data base to conduct research on the distribution of aid among students and institutions and on the effects of those distributions on students and program effectiveness.

Perhaps the greatest advantage of having all state aid programs administered by an effective central agency is the greater ability to better focus state aid policy on the achievement of statewide goals for financial aid programs and to assure that the individual state aid programs are all directed toward common purposes. In the absence of a strong central state agency to administer all state-funded aid programs, there is a tendency for states to implement many different kinds of programs with many different and sometimes inconsistent or conflicting goals. Each of these programs develops its own constituencies of beneficiaries and supporters. In many instances these constituencies vie with each other before the public and the state government for support from public funds. This has the effect

of diverting attention, efforts, and funds from a common core of financial aid purposes and goals toward multiple purposes and goals. This divergence, in turn, makes it difficult for a state to utilize its limited financial aid resources in the most efficient and effective manner or to achieve any of its financial aid goals.

In our examination of the recent history of state-funded financial aid programs in Florida, we found a significant divergence from the common set of statutory policy goals for state financial aid programs toward varied goals that are unique to the newer programs. The most conspicuous examples of this divergence from the common core of State goals toward secondary goals are the non-need-based Florida Academic Scholars program and the Florida Tuition Voucher program which is also non-need-based and designed to aid only students at certain private colleges and universities. While these two programs were created to achieve worthwhile purposes, those purposes represent departures from the common core of statutory goals for all state supported programs. Moreover, under their current structures, these programs represent a less than optimum use of limited state grant funds.

The recent legislation authorizing creation of Higher Education Loan Authorities in each Florida county also represents a departure from the concept of a centralized approach to providing aid to all Florida residents who require it. We do not have enough information to predict the likely success or impact of this legislation on students' ability to meet their educational costs. We can, however, predict that authorizing the sale of bonds by these authorities will create competition for the sale of bonds among State agencies and county authorities. If at some point in the near future it becomes necessary to establish a new state loan program to supplant funds lost to students as a result of restrictive changes in the Guaranteed Student Loan program, the competition for the sale of bonds by the county authorities may make it quite difficult to adequately fund the central program.

We are convinced that county authorities will have varying degrees of success in developing support for their loan authorities, thus creating situations in which student access to loan funds becomes more a function of student residence than student need for those funds or of their intended use. We also predict that rules, regulations, and repayment schedules and terms will vary considerably among counties so that borrowers in the different counties may be treated quite differently and perhaps quite inequitably depending upon their educational costs, programs, needs, and institutional choices.

One of the benefits that accrues to states with strong central financial aid agencies is the reduction of inconsistencies or inequities in the treatement of and service to students. By

decentralizing its loan program efforts among counties and county authorities, Florida would create a greater potential for inconsistencies and inequities in the availability and distribution of student financial aid.

We urge state policy makers to reevaluate the concept of county Higher Education Loan Authorities and to compare their potential advantages and disadvantages to those of having the loan authority function lodged in a central, state-supported agency created to coordinate and administer financial aid for Florida. We think such a review will lead policy makers to the conclusion that a central state loan authority is far better suited to meet the needs of Florida's students for loan funds than are separate counties authorities.

ALTERNATIVES FOR FLORIDA'S STUDENT AID PROGRAMS

After reviewing Florida's statutory policy objectives for its state student financial aid programs and evaluating the programs themselves, we concluded: (1) the basic statutory policy objectives are sound; (2) the current program structure diverges significantly from those objectives; (3) non-need based programs do not constitute an effective use of limited state financial aid funds; (4) the rapid growth and proliferation of state programs with diverse objectives makes program coordination and the efficient expenditure of financial aid funds more difficult and reduces the likelihood that available resources can be utilized with maximum effectiveness; and (5) a number of policy options exist which could improve the coordination, efficiency, and effectiveness of Florida's state student aid programs.

In the sections which follow we suggest a number of policy options, program modifications, and alternative program structures that we believe should be considered by state policy makers in developing Florida's student financial aid programs in the coming decade. These alternatives range from maintaining the three existing grant programs as separate need-based programs to consolidating the Florida Student Assistance Grant and Florida Tuition Voucher Program into a single need-based state grant program. Under each of these alternatives, we also examine the general implications of using alternative award distribution criteria, varying grant levels, and changing funding levels.

We believe that need-based financial aid programs serve to maximize the effectiveness of limited state aid resources by insuring that aid dollars are used to assist those students who would otherwise be financially unable to attend postsecondary education or to choose among postsecondary education options. There is little evidence to suggest that providing aid to those who would otherwise be able to meet their educational costs without grant assistance would modify their enrollment decisions or constitutes an effective use of limited aid funds. Consequently, all the options outlined in this section are based on the conviction that Florida can best achieve its statutory policy objectives, enhance the effectiveness of its grant programs, and increase program results if it makes all grant programs need-based and provides aid only to those students with demonstrated financial need.

Furthermore, we believe that students should be required to apply for Pell Grants when they apply to state grant programs and that their Pell Grant amounts should be taken into consideration in subsequent program assessments of students' relative need and available resources. Under current state procedures, students are not required to apply for Pell Grants and the Pell awards are not taken

into consideration in determining need. This practice interferes with the effective coordination of state and federal programs and ignores the statutory policy objective of having state programs complement and supplement the basic federal aid programs. Further is ignores the largest single source of need-based grant aid for Florida students--an $84 million source of aid that was more than four times greater than the aid from the state's three major grant programs combined. The implications of this change in procedure are discussed under each of the relevant alternatives.

Finally, community college tuition waivers have become a controversial issue in Florida that affects not only these colleges ability to provide financial assistance to some of their students but the overall coordination, structure, and funding levels for state financial aid programs in general. First, only a small fraction of the waivers granted by community colleges are based on financial need. Second, if the colleges want to continue to provide some waivers or other assistance for special local constituencies or purposes, we suggest that this be done through the imposition of a small $1 per credit hour financial aid fee similar to the special student-fee funded financial aid programs in the State University System within general state-approved guidelines. No state general revenue funding was provided for community college waivers in 1982-83. Third, if the Legislature decides to appropriate such funds in the future, we believe that the money would be more effective if it were appropriated to increase funding levels for one of the FSAG or consolidated program options outlined in the following pages.

Options for the Florida Student Assistance Grant Program

Option 1: Maintain the existing FSAG program and continue to use relative need without taking Pell grants into consideration to distribute available funds

Implications:

1. The adoption of this option would maintain a system that is familiar to students and institutions and continue the existing distribution of recipients and award dollars.

2. Funds would continue to be distributed on the basis of relative need and so most of the awards would go to students attending higher cost independent institutions or to independent, presumably self-supporting undergraduates, attending lower cost public colleges and universities.

3. Few dependent undergraduates from low income and minority families would receive grants if they chose to attend lower cost public institutions even though most have demonstrated financial need and insufficient personal and family financial resources.

4. Limiting the maximum award to tuition and required fees means that recipients with identical relative need have very different portions of that need covered by their FSAG grant depending upon whether they attend a community college, state university, or higher tuition independent college or university.

5. Ignoring the amount of any Pell Grant award in determing an applicant's relative need creates the possibility that some applicants with less actual adjusted relative need (relative need minus Pell award) will receive FSAG grants and others with greater actual adjusted relative need will not. Those missing out on FSAG grants under these circumstances are more likely to be needy Pell recipients at public colleges or universities because of the half-cost provisions of the Pell Grant program and the resulting higher average Pell awards among Pell recipients at Florida's independent colleges and universities.

Option 2: Maintain the existing FSAG program and continue to use relative need after taking Pell grants into consideration to distribute available funds

Implications:

1. The adoption of this option would maintain most of the features of a system that is familiar to students and institutions but alter somewhat the distribution of recipients and award dollars.

2. Funds would be distributed on the basis of adjusted relative need (net need minus Pell award). Most of the grants would still go to students attending higher cost independent colleges or to independent undergraduates attending lower cost public colleges and universities. There might be a slight increase in the number of FSAG recipients at public institutions since current FSAG recipients with Pell Grants at independent colleges have higher average Pell awards than do similar students at public institutions.

3. Few dependent undergraduates from low income and minority families would receive FSAG grants if they chose to attend lower cost public institutions, but the significant influence that higher school costs currently exert on the selection of FSAG recipients would be reduced somewhat among needy Pell recipients.

4. Some lower-middle income students who recently lost eligibility for Pell awards or who had their Pell awards reduced would have a slightly greater chance than at present to qualify for an FSAG award.

5. The FSAG program would be modified to better coordinate its distribution of awards and complement the federal Pell Grant program.

6. Limiting the maximum award to tuition and fees means that recipients with identical adjusted relative need have different portions of that need covered by their FSAG grant depending upon the expense of the educational option they select. The more expensive the option the greater percentage of relative need the FSAG award covers.

Option 3: Maintain the existing FSAG program as a separate program but use total family resources (total family contribution plus Pell grant amount) to distribute available funds.

Implications:

1. The adoption of this option would maintain few of the features of the existing program's distribution mechanism and alter the distribution of recipients and award dollars.

2. Under this option funds would be distributed on the basis of total personal resources. More of the grants would go to low income and minority students with demonstrated financial need in all sectors regardless of total school costs.

3. More dependent low-income and minority students would receive FSAG grants even if they chose lower cost public institutions, and fewer independent students at all institutions and middle income students at high cost private institutions would receive grants.

4. Limiting the maximum award to net need above $200, tuition and fees, or $1,200, whichever is lower, would maximize the number of students receiving grants for any given program funding level.

5. The FSAG program would be modified to better complement and supplement the basic federal Pell Grant program.

Options for the Florida Tuition Voucher Program

Option 1: Maintain the Tuition Voucher program as a separate non-need-based grant program for students attending selected independent colleges.

Implications:

1. **Maintaining the existing FTV program on a non-need basis would not contribute to program efficiency or effectiveness because grant funds would be distributed to students who needed them to be offered choice and to those who did not.**

2. **Maintaining a non-need-based voucher program would continue the existing divergence between Florida's statutory policy objectives for state aid programs and its actual financial aid programs.**

3. **Costs for a non-need-based voucher program will continue to escalate at a more rapid rate than they do for need-based grant programs. This occurs because costs in this non-need based program increase at the rate that enrollment of Florida residents in eligible independent institutions increases rather than at the rate that enrollment of financially needy residents at these institutions increases.**

4. **The maintenance of a non-need-based voucher program would provide another form of tuition equalization grant assistance to those students who needed it and those that did not.**

5. **The maintenance of separate need-based FSAG and non-need-based FTV programs would continue to present obstacles to effective coordination among state programs, perpetuate the current competition between programs for state funds, and make estimating the appropriate grant and program funding levels quite difficult.**

Option 2: Maintain the Tuition Voucher program as a separate need-based grant program for students attending selected independent colleges. Take Pell Grant awards into consideration in assessing net need.

Implications:

1. Transforming the existing FTV program into a need-based program would improve program effectiveness by distributing grant funds only to those students with demonstrated financial need.

2. The change to a need-based voucher program would make the program more compatible with Florida's statutory policy objectives for state financial aid and more consistent with other state and federal need-based aid programs.

3. The switch to a need-based voucher program would either increase the size of the voucher award significantly or maintain existing voucher levels but save the state money since about 30 percent of current voucher recipients apply for no other forms of state financial aid and presumably could not demonstrate financial need for a grant.

4. The maintenance of a separate need-based voucher program would provide another form of tuition equalization grant assistance along with the tuition sensitive FSAG awards.

5. The maintenance of a separate, need-based voucher program would preserve the symbol of a state program designed especially for needy students who wish to attend Florida's independent colleges and universities. It would also insure that program funds go only to students at eligible independent institutions.

6. The maintenance of separate need-based FSAG and FTV programs would still present certain obstacles to effective coordination among state programs, perpetuate the current competition between programs for state funds, and make estimating the appropriate grant and program funding levels difficult.

Options for the Florida Academic Scholars Program

Option 1: Maintain the Academic Scholars program as a separate non-need-based grant program for outstanding students who have demonstrated high standards of academic achievement.

Implications:

1. Maintaining the existing FAS program on a non-need basis would not contribute to program effectiveness because it would continue to distribute grant funds to academically talented students who enrolled in Florida institutions whether they needed the grant or not.

2. Maintaining the current scholars program would continue the divergence between Florida's statutory policy objectives for student financial aid and the actual state aid programs.

3. Costs of the non-need-based scholars program would continue to escalate if the enrollment of scholars at Florida institutions continues to increase, but there would be little relationship between funding levels and program results.

4. The maintenance of a separate, non-need-based FAS program would preserve this symbol of the State's commitment to academic excellence, high standards of performance, and academic potential, but it would not do so in a very cost-effective manner.

Option 2: Maintain the Academic Scholars program as a separate need-based grant program for outstanding students who have demonstrated high standards of academic achievement and financial need.

Implications:

1. Changing the existing FAS program into a need-based program would improve program effectiveness by distributing grant funds to academically talented students with demonstrated financial need.

2. The switch to a need-based scholars program would make the program more compatible with Florida's statutory policy objectives for financial aid and more consistent with other states' need-based grant and scholarship programs.

3. The switch to a need-based scholars program would either increase the size of the grants or maintain the existing grant levels and save the state money since about 50 percent of current scholars apply for no other forms of state aid and presumably could not demonstrate financial need.

4. The maintenance of a separate, need-based program would preserve this symbol of the State's commitment to academic excellence, high standards of performance, and academic potential. Those students without financial need who meet the programs academic requirements could still receive non-monetary recognition from the State for their achievements, but limited program funds would be reserved to assist talented, but needy Florida students who wanted to attend in-state institutions.

5. Since the size of a need-based scholars program would remain small, it could be coordinated with the larger FSAG and FTV programs without producing excessive competition for funds of reducing the overall efficiency of state financial aid programs.

6. The scholarship standards required for FAS eligibility and for renewal of an FAS award would make it difficult, if not impossible, to merge the program with one or more of the other need-based grant programs in which admissability to an institution determines eligibility and regular institutional standards of satisfactory academic progress govern renewals.

Consolidation Options for the Florida Student Assistance Grant and Florida Tuition Voucher Programs

Option 1: Consolidate the FSAG and FTV programs. Fund the new program at the combined funding level of the two currently separate programs. Take Pell Grant awards into consideration in determining adjusted relative need and distribute awards on the basis of adjusted relative need.

Implications:

1. Consolidation of the two programs into a single need-based grant program would more nearly conform to statutory policy objectives for state student aid programs.

2. Consolidation would simplify coordination of awards between state and federal programs and eliminate some of the inefficiency and obstacles to effective program management inherent in maintaining two separate state grant programs.

3. The use of adjusted relative need to determine recipients would probably not alter the distribution of recipients appreciably from what it would be under separate need-based FSAG and FTV programs distributing awards on the basis of adjusted relative need. The elimination of non-needy current voucher recipients would reduce the number of recipients at independent colleges from the present level, but it would probably not alter the distribution of award dollars significantly. The majority of recipients and funds would still flow to students at higher cost independent institutions because of the use of adjusted relative need to determine awards.

4. Few dependent low income and minority students at lower cost public colleges would receive grants from the consolidated program. Most of the recipients at public institutions would be older independent, self-supporting students with exceptional need. Their number among those receiving consolidated awards would probably not change appreciably from current levels.

5. The maximum grant amount under the consolidated program would be $480 at community colleges, $750 at state universities, $1,200 at independent institutions that do not now participate in the voucher program, and $2,200 at independent institutions currently participating in both the FSAG and FTV programs.

6. Limiting the maximum award to tuition and fees at public institutions or the other maximum levels at independent colleges means that recipients with identical adjusted relative need would have different portions of that need covered by the combined grant award.

Option 2: Consolidate the FSAG and FTV programs into a single need-based grant program but distribute awards on the basis of total family resources (total family contribution plus Pell award) and use the same maximum award levels as in Option 1.

Implications:

1. Consolidation into a single need-based grant program would more nearly conform to statutory policy objectives for state aid programs.

2. Consolidation would simplify coordination of awards between state and federal programs and eliminate some of the inefficiency and obstacles to effective program management inherent in maintaining two separate state grant programs.

3. The use of total personal resources to determine recipients would probably alter the existing distribution of recipients and award dollars among sectors. The higher consolidated funding level along with the ranking procedure and grant maximums would combine to produce an increase in the number of consolidated grant recipients over the existing level, particularly in the two public sectors. Yet, it would not necessarily produce a dramatic reduction in the number of recipients attending independent institutions.

4. The use of total family resources as the criterion for distributing awards insures that those students with the fewest personal resources, including Pell Grant assistance, have the first claim on available state grant funds regardless of the cost of the institution they choose to attend.

5. The use of differential award maximums insures that the consolidated grants are tuition sensitive and helps to some extent to narrow cost differences among recipients in different sectors and to provide both access and choice.

6. Consolidation of the two programs ends the symbolic character of the FTV program, yet continues to fulfill its objectives in a more efficient and effective manner.

Option 3: Consolidate the FSAG and FTV programs into a single need-based grant program and distribute awards on the basis of total resources including Pell awards. The new program would provide grants that covered a specified percentage of adjusted relative need with a minimum grant of $200.

Implications:

1. The use of total personal resources to distribute aid insures that grants go to those students with the fewest financial resources regardless of the cost of the educational alternative they select.

2. Setting grant maximums at a specified percentage of adjusted relative need provides a tuition equalization feature which covers the same percentage of remaining costs for students with similar adjusted relative need.

3. The adoption of this option would probably increase the number of low income and minority students receiving consolidated grants in all sectors, but particularly in public community colleges and in the state university.

4. The impact of the proposal on the actual number of grant recipients, their distribution among sectors, and on award amounts depends upon funding levels for the consolidated program and on the percentage of adjusted relative need to be funded.

Proposals Involving Smaller State Grant Programs and Loan Contingency Planning

Proposal 1: Change some of the current specialized grant programs, such as the math, science, and special education training grants or the out-of-state contract programs, into loan programs with state pay-back provisions.

Implications:

1. Such a shift would require students in these programs to apply for GSL loans instead of special grants. The state of Florida would then agree to pay a specified percentage of the loan payments for the recipient for each year of post-graduation service in Florida.

2. Such a program would provide nearly identical financial incentives to students to enter these specialized fields of study and service, but it would provide the state with significantly greater guarantees that its investment in the students' educations will provide tangible benefits to Florida.

3. The costs to the State to fund such a program would be substantially reduced for the next two to four years and then would return to approximately current levels in constant dollars after that.

Proposal 2: Create standby authority to reestablish a central state loan authority under certain circumstances to make low interest loans to Florida students. These circumstances might include:

1. the loss of eligibility for graduate and professional students to participate in the federal GSL program;
2. a significant reduction in eligibility for GSL loans for undergraduates or for all students;
3. increased lender restrictions on loan eligibility for students at public community colleges and accredited or approved business, trade, and technical;
4. increased problems in the secondary marketing of existing loan portfolios which hamper the ability of Florida lenders to provided needed new loan capital for student loans; or
5. the perceived need for the State to assume the role of lender of last resort.